OFFICE OF THE

Auditor General of British Columbia

Service Plan

2005/06–2007/08

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The Honourable Claude Richmond
Speaker of the Legislative Assembly
Province of British Columbia
Parliament Buildings
Victoria, British Columbia
V8V 1X4

Dear Sir:

I have the honour to transmit herewith to the Legislative Assembly of British Columbia my Service Plan, 2005/06–2007/08.

Wayne Strelioff

Wayne Strelioff, FCA
Auditor General

Victoria, British Columbia
February 2005

copy: Mr. E. George MacMinn, Q.C.
Clerk of the Legislative Assembly

106-00441/

Table of Contents

Message from the Auditor General 1

About Our Office 4

Our Funding, Planning and Reporting Cycle 10

Responding to Our Environment 12

Our Reporting Framework 14

Our Performance Plan 16

Our Financial Plan 35

Appendix A—Our Standards of Service 36

Message from the Auditor General

I am pleased to table my Service Plan for 2005/06–2007/08. The plan sets out my Office's work program for the next three years. It outlines our intended use of available resources to carry out that work, and gives a basis for assessing our performance.

More than ever before, the public today demands real government accountability. My Office plays an important role in answering this demand by providing independent assessments and advice on the provincial public sector's accountability and performance.

Beginning in the 2004/05 fiscal year, the government is required by legislation to prepare its Summary Financial Statements in accordance with Canadian generally accepted accounting principles. I applaud this change, but it does have implications for my Office. Now, universities, colleges and institutes, school districts and health care organizations will be fully reported in the Summary Financial Statements—a change that expands our audit universe by over 90 organizations.

Including the whole provincial public sector in this snapshot of government's finances is significant: for the first time, legislators and the public will have comprehensive, reliable information about the government's financial performance. That said, it is important to remember that governments do not exist only to achieve good financial results. They have multiple bottom lines: economic, social, environmental—overall, protecting the public good. For this reason, what governments achieve in relation to what they intended to achieve and with what resources is a key measure of performance.

The provincial Budget Transparency and Accountability Act has done much to expand the notion of accountability for performance in a broad sense. It requires government and its organizations to set out clearly in their Service Plans what they *intend* to achieve and to report fully in their Annual Service Plan Reports what they *actually* achieved. The BC Performance Reporting Principles, developed jointly by government officials and my Office and endorsed by the Legislative Assembly's Select Standing Committee on Public Accounts, provide a good framework to help bring accountability to life. These reporting requirements represent a significant step towards more open and transparent government. But, there is much more to be done and my Office will continue to support, encourage and promote reliable performance reporting in British Columbia.

Message from the Auditor General

Meanwhile, the provincial government is continuing to alter the programs and services it delivers and how it delivers them. Deregulation, alternative forms of service delivery and shared services are becoming commonplace. These changes, together with a greater focus on managing for results, are having tremendous effects on how government manages and accounts for its performance.

With change comes both risk and opportunity. My Office considers these extensive changes and their implications when we establish our risk audit work program and conduct our examinations. The reports I make to the Legislative Assembly about our risk audits contain our assessments of how well government and its organizations are managing their key risks, as well as our recommendations for improvement. My plan for the next three years is to focus the risk audit portion of our work on new service delivery arrangements, large capital projects and high-risk areas, particularly in the health, education and natural resource sectors.

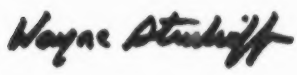
In preparing this year's Service Plan, we reviewed and confirmed the continued relevance of our two goals and three main lines of business (although we are describing them slightly differently this year).

- Our first goal is to ensure that the public and its elected representatives receive the best information possible for assessing the performance of the provincial public sector. We work to achieve this goal through our main lines of business: attesting to the reliability of financial information; examining how well the provincial public sector manages its key risks; and assessing the quality of performance reports.
- Our second goal is to ensure that our work meets the highest standards and is carried out in an exemplary manner. Achieving this goal requires us to pay constant attention to managing our key risks: credibility, independence, relevance and capacity. Maintaining our capacity is becoming especially challenging as a result of recent and upcoming staff retirements, a more competitive market place for the skills and competencies we need, and new, more demanding auditing standards. We will need to work hard to fill vacancies as they occur, and to retain our existing cadre of highly qualified professional staff. And, we will need to invest more resources than in the past in the design and maintenance of our professional practices.

Message from the Auditor General

In light of the expansion of the contents of the government's Summary Financial Statements, the progress being made in public performance reporting, the risks arising from the public sector's rapidly changing environment, and the introduction of more rigorous assurance standards, I am pleased that legislators endorsed my recommendation for a modest increase in my Office's funding.

This plan sets out how we intend to deal with all these challenges. I will report on our 2005/06 performance against this plan in my annual performance report in June 2006.



Wayne Strelioff, FCA
Auditor General

Victoria, British Columbia
February 2005

Vision, Mission, Goals and Values

Vision

Making a difference for the people of British Columbia by contributing to an accountable and well-performing provincial public sector.

Mission

To serve the people of British Columbia and their elected representatives by providing independent assessments and advice that enhance accountability and performance across the provincial public sector.

Goals

1. The people of British Columbia and their elected representatives receive the best information possible for assessing the performance of the provincial public sector.
2. Our work meets the highest standards and is carried out in an exemplary manner.

Values

As we pursue our goals, we are committed to:

Excellence

We strive to meet the highest standards of service, professionalism, integrity and independence. (Our service standards are described in Appendix A.)

We are committed to being efficient and effective in our operations, and to promoting creativity, innovation and responsible risk-taking in our work.

We seek to maintain a relationship of mutual respect and trust with those we serve, and willingly share our experience and expertise.

Our People

We value the unique contribution and talents each individual adds to our Office and community.

We strive to manage on the basis of fairness, equity, honesty, mutual respect, trust and personal dignity. As our success is dependent on our working together, we promote a spirit of cooperation and teamwork throughout our organization.

We are committed to the concept of personal and professional development and support quality-of-life endeavours.

Our Mandate and Role

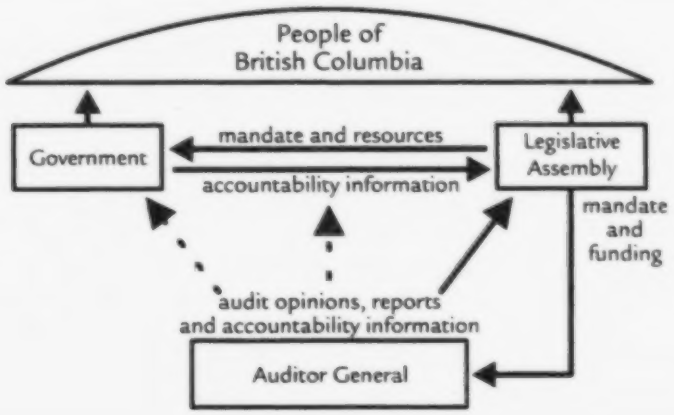
The Auditor General is an Officer of the Legislature, appointed for a six-year term by the Legislative Assembly. Non-partisan, objective and independent of the government of the day, he or she reports impartial assessments of government accountability and performance to the Assembly. By doing so, the Auditor General contributes to improved accountability and performance in the British Columbia public sector.

Under the authority of the Auditor General Act, our Office has a mandate to audit all parts of the provincial public sector, including its ministries, Crown agencies and other organizations (such as school districts, colleges and institutes, universities and health authorities). The Act requires the Auditor General to audit the government's annual Summary Financial Statements, and allows the Auditor General to be appointed as the financial statement auditor of any organization that is included in the government reporting entity (i.e. any organization for which financial results are consolidated into the Summary Financial Statements), subject to the approval of a committee of the Legislative Assembly. The Act also allows the Auditor General to carry out examinations focusing, among other things, on whether government or a government organization is operating economically, efficiently and effectively; and whether the accountability (also known as performance) information provided to the Legislative Assembly by the government or a government organization with respect to the results of its programs is adequate.

Our reports provide assurance to elected officials and the public on matters relating to past events or practices within the public sector, as well as offer suggestions for improving future public sector management and accountability practices (Exhibit 1). In exercising this responsibility, we stay attentive to the needs, expectations and priorities of the Legislative Assembly and the public. At the same time, we remain responsive to, and aware of, the needs and expectations of public sector managers so that we can provide sound, practical recommendations for improvement.

By examining performance information provided by the provincial public sector and, where appropriate, providing assurance about the relevance and reliability of that information, we enable legislators and the public to rely on the information. And, by assessing how well the provincial public sector is managing the various risks it faces in ensuring its programs are operating economically, efficiently and effectively, we help legislators and the public make informed decisions about the effectiveness of programs and the value received for the public's money.

Exhibit 1
The Auditor General plays a key role in ensuring provincial public sector accountability



Our Office is one of the few independent sources of credible, high-quality assurance work relevant to British Columbians. We carry out a role that is key to good public accountability and vital to the democratic process of responsible government.

Our Structure

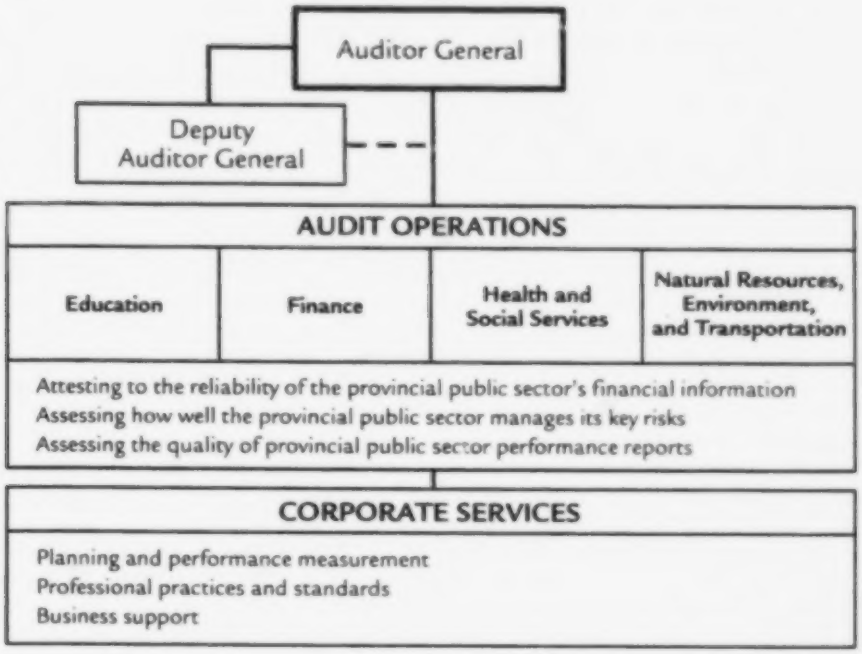
The Auditor General is supported by about 85 staff. They include highly trained university graduates with professional qualifications in accounting and auditing, business, information technology, program evaluation, social and environmental sciences, health care and law.

We have three lines of business:

- attesting to the reliability of the provincial public sector's financial information;
- assessing how well the provincial public sector manages its key risks; and
- assessing the quality of provincial public sector performance reports.

Our operations are organized into four sectors, plus a Corporate Services sector that provides us with strong administrative support. Each operating sector applies our three lines of business to one or more key areas of government operations. (Exhibit 2.)

Exhibit 2
Operations structure in the Office of the Auditor General of British Columbia


Auditor General
Deputy Auditor General
AUDIT OPERATIONS
Education
Finance
Health and Social Services
Natural Resources, Environment, and Transportation
Attesting to the reliability of the provincial public sector's financial information
Assessing how well the provincial public sector manages its key risks
Assessing the quality of provincial public sector performance reports
CORPORATE SERVICES
Planning and performance measurement
Professional practices and standards
Business support

How We Allocate Our Resources

We think the appropriate allocation of our audit resources among our three lines of business is as follows:

- 40% to attesting to the reliability of the provincial public sector's financial information;
- 40% to assessing how well the provincial public sector manages its key risks; and
- 20% to assessing the quality of provincial public sector performance reports.

We believe this allocation of resources would allow a reasonable focus on both financial and non-financial performance reports provided by the provincial public sector and how the provincial public sector manages its key risks.

About Our Office

Our financial statement audit line of business is focused on what is needed to provide an audit opinion on government's Summary Financial Statements. This work requires us to maintain a good knowledge of operations across the government reporting entity, something we do as much as possible by leveraging the expertise of private sector audit firms. For the 2005/06 fiscal year, we plan to devote about 47% of our resources to this line of business. This represents the minimum amount of work necessary to allow the Auditor General to provide his opinion on the Summary Financial Statements. Reaching our goal of 40% may be difficult in the short-term, particularly taking into account the impact of more demanding professional standards, unless we receive significantly more funding. If we were to receive increased funding, the additional funds would be allocated to our other lines of business, thus reducing the percentage of funds allocated to financial statement audits.

The line of business that focuses on public sector performance reports is relatively new, and we do not think it sufficiently mature to allocate 20% of current resources to it at this point in time. But, as the quality of performance reporting improves and as the public and its elected representatives make greater use of performance reports, we expect the demand for our assurance services to increase. It is difficult to predict how quickly this will happen, but as demand increases, we will gradually increase the percentage of our resources dedicated to that line of business. We will do this because we believe that the public and its elected representatives would be well served by having reliable and comprehensive information about public sector performance.

For the 2005/06 fiscal year, the anticipated allocation of audit resources is:

- 47% to attesting to the reliability of the provincial public sector's financial information;
- 42% to assessing how well the provincial public sector manages its key risks; and
- 11% to assessing the quality of provincial public sector performance reports.

Exhibit 3 shows the relative allocation of resources among our audit sectors and the distribution of resources among lines of business within each sector. The base allocation to each of the four operational sectors is approximately equal. Incremental funding is added to this for targeted office-wide activities. For instance, the Finance sector is also responsible for Information Technology audits and the Education sector is responsible for leading our work on assessing the quality of provincial public sector performance reporting. Allocations within individual sectors are based on priorities and risks assessed in each area.

Exhibit 4 shows the overall proportion of operational resources we plan to devote to our three lines of business.

Exhibit 3
Distribution of planned fiscal 2005/06 audit dollars by sector and line of business

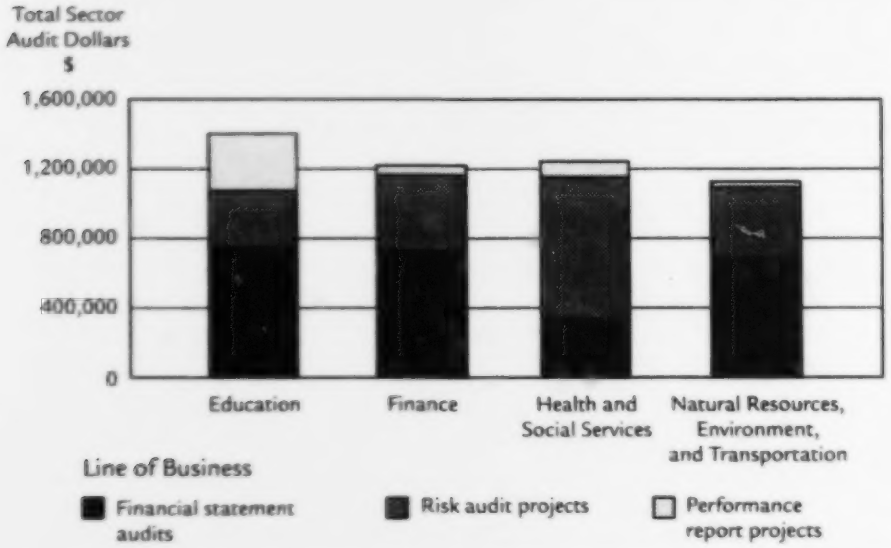
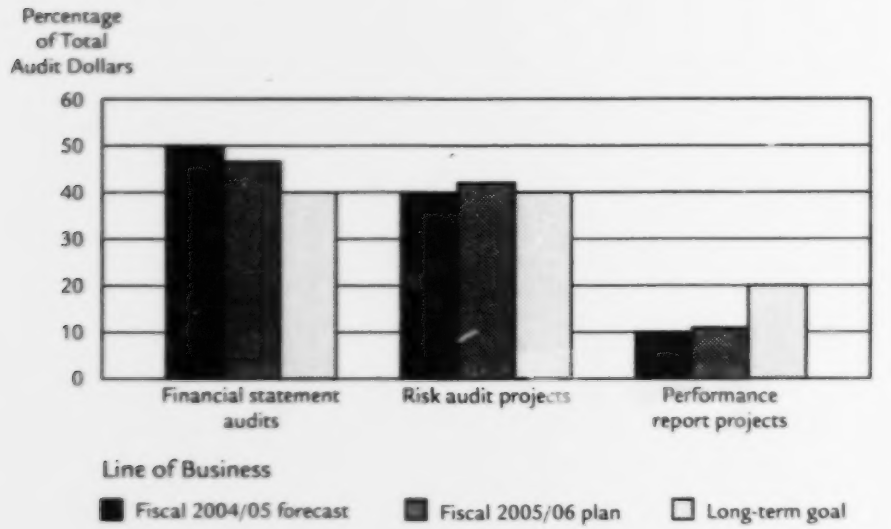


Exhibit 4
Distribution of fiscal 2005/06 assurance funding by line of business



Our Funding, Planning and Reporting Cycle

Each year, we obtain and process a large amount of information about international, national and local developments and changes in public sector practices. This scan helps ensure that our work focus adequately reflects shifts in public sector strategies and operations, including changes in the direction of government policy. Our strategic business planning process also provides us with a framework against which we can progressively monitor and measure the achievement of our goals and objectives.

The result of this planning process (depicted in Exhibit 5) is confirmation of, or amendment to, our three-year corporate goals, objectives and strategic priorities. Two streams of information flow from this process:

- an updated audit plan for each sector; and
- issues internal to our Office warranting action to achieve improvement.

This information in turn leads to a work program for the coming years.

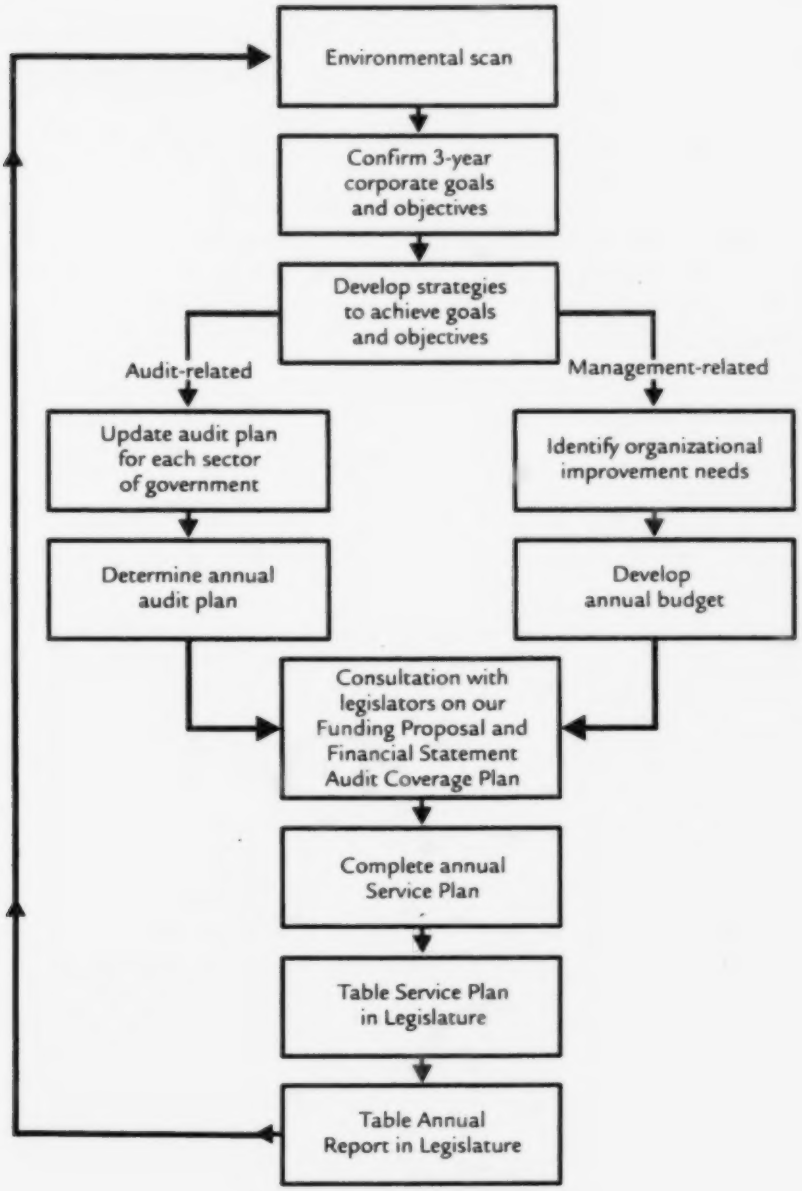
In November of each year, we submit our Financial Statement Audit Coverage Plan and our Strategic Direction and Funding Proposal to the Legislative Assembly. The Assembly refers these documents to, respectively, the Select Standing Committee on Public Accounts and the Select Standing Committee on Finance and Government Services. The audit coverage plan outlines a three-year plan for the appointment of auditors for government organizations and trust funds.[1] The funding proposal contains our proposed work program and related costs.

This Service Plan incorporates the Financial Statement Audit Coverage Plan and the Finance and Government Services Committee's funding recommendations for 2005/06, confirms our strategic direction and priorities, and outlines the work program for the next three years. The Annual Service Plan Report, tabled at the end of June each year, completes this cycle by providing information about the Office's performance for the year ended March 31, assessed against the previously published Service Plan.

[1] Our Financial Statement Audit Coverage Plan and our Strategic Direction and Funding Proposal (November 2004) are available at www.bcauditor.com

Our Funding, Planning and Reporting Cycle

Exhibit 5
Funding, planning and reporting cycle in the Office of the Auditor General


Environmental scan
Confirm 3-year corporate goals and objectives
Develop strategies to achieve goals and objectives
Audit-related
Management-related
Update audit plan for each sector of government
Identify organizational improvement needs
Determine annual audit plan
Develop annual budget
Consultation with legislators on our Funding Proposal and Financial Statement Audit Coverage Plan
Complete annual Service Plan
Table Service Plan in Legislature
Table Annual Report in Legislature

Responding to Our Environment

A number of recent and pending changes have affected the work of our Office.

Government continues to change

The government in British Columbia continues to change dramatically, both in what it chooses to do and how it chooses to do it. For example, some services that used to be provided across many organizations are now being delivered centrally through shared services arrangements. In other cases, services that used to be provided directly by the public service are now being provided by private or not-for-profit organizations. Alternative service delivery mechanisms and public-private partnerships are becoming more commonplace. These changes are occurring at a time of deregulation, a shift to results-focused management, and a still-recent reduction in the public sector.

This combination of change and pressure requires a significant management effort if the effective delivery of government programs is not to be put at risk.

Accordingly, we believe it is more important than ever to continue to serve legislators and the public by providing them with assurance and advice on how government is managing its programs, services and initiatives. Our plan is to build our capacity and focus our efforts on assessing these new structures, management practices and delivery arrangements.

Government financial statement reporting has improved

Effective April 1, 2004, the government adopted Canadian generally accepted accounting principles. As a result, the government's 2004/05 Summary Financial Statements will include the complete financial results of more than 150 provincial public sector organizations, with over 90 of those organizations included for the first time. As the auditor of the government's Summary Financial Statements, the Auditor General is required both by the Auditor General Act and by Canadian generally accepted auditing standards to ensure that we have sufficient involvement in, and knowledge of, the whole government reporting entity. This means that we must understand control environments, business practices and accounting issues of all organizations included in the Summary Financial Statements, even those for which the Auditor General is not the appointed auditor. Our Financial Statement Audit Coverage Plan describes our approach in more detail.

Professional standards are becoming more demanding

In response to the global business failures of recent years that shook investor and public confidence in financial reporting and auditing, more is being required of all external auditors. To restore confidence in the integrity of financial reporting, and to strengthen governance and management accountability, the profession and others have moved to bolster the rules that guide those who prepare financial statements, those who audit them, and those who provide oversight to the process. For example, new quality control standards issued by the Canadian Institute of Chartered Accountants—standards with which we must comply—will come into force later in 2005. The impact of these standards is twofold. First, we need to commit more resources to revising and upgrading our audit policies and procedures. Second, we anticipate that the application of the new standards will increase the time that each audit takes to carry out.

Providing assurance on government performance reports requires building capacity

Through the Budget Transparency and Accountability Act, legislators require government to set out clearly what it plans to achieve and then, later, to report clearly what it did achieve. This is a significant step towards more open and transparent government. The Legislative Assembly's Select Standing Committee on Public Accounts, recognizing that such information must be reliable, has endorsed the principle that legislators should receive independent audit assurance on the reliability of the reported information. The challenge for us is to develop appropriate methodologies for providing this assurance and to work with private sector auditors to build capacity for carrying out such assurance work.

Responding to committee requests may affect other work planned

The Auditor General Act allows for any standing committee of the Legislative Assembly to ask the Auditor General to carry out specific examinations. This gives legislators a means of initiating a rigorous, independent scrutiny of government performance issues, some of which may be particularly time sensitive. However, although the new Auditor General Act has been in place for over a year, we have not yet received any such requests from standing committees.

If we do receive such requests, we will investigate and report back to the requesting committee on the nature, scope and costs such an examination would entail. At that time, we will also ask the committee for the additional funding we would need to carry out the work.

Our Reporting Framework

This Service Plan describes our goals, objectives and strategies as an organization, as well as the performance measures and targets we plan to use to monitor and report on our performance. Exhibit 6 outlines the linkages between our goals and objectives and our vision and mission.

Both of our goals flow directly from our mission and mandate. Goal 1 —to ensure the people of British Columbia and their elected representatives receive the best information possible for assessing the performance of the provincial public sector—is our ongoing and long-term goal. To help us achieve this goal, we have identified three objectives:

- The provincial public sector provides relevant and reliable information about its financial performance.
- The people of British Columbia and their elected representatives are informed of how well the provincial public sector is managing its key risks.
- The provincial public sector provides relevant and reliable information about what it is trying to achieve and how successful it has been in doing so.

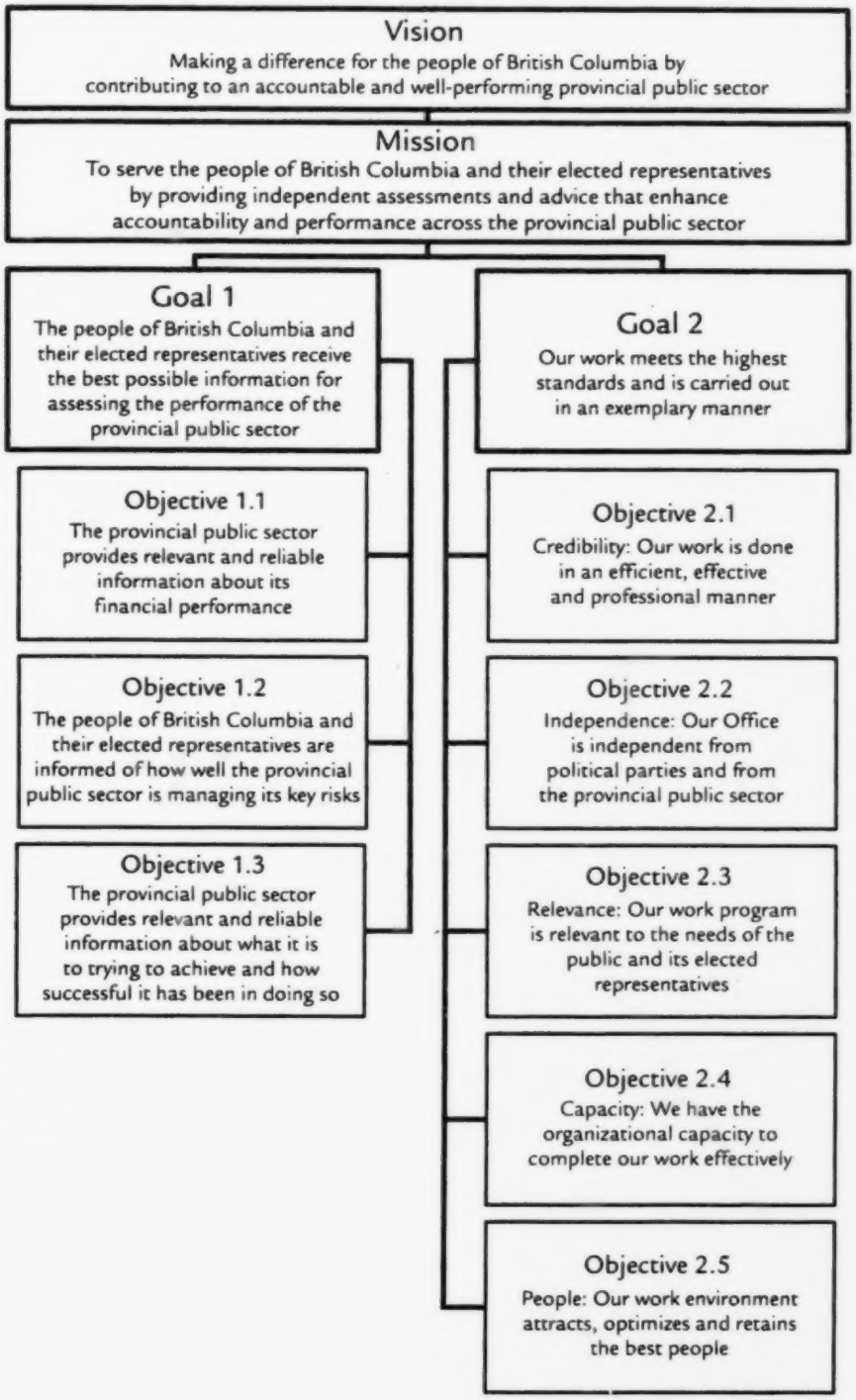
These three objectives align with our three lines of business.

Goal 2—to ensure our work meets the highest standards and is carried out in an exemplary manner—is something we strive to meet every day. We have five objectives to help us achieve this goal:

- Our work is done in an efficient, effective and professional manner.
- Our Office is independent from political parties and from the provincial public sector.
- Our work program is relevant to the needs of the public and its elected representatives.
- We have the organizational capacity to complete our work effectively.
- Our work environment attracts, optimizes and retains the best people.

Our Reporting Framework

Exhibit 6
Performance reporting framework of our Office


Vision
Making a difference for the people of British Columbia by contributing to an accountable and well-performing provincial public sector
Mission
To serve the people of British Columbia and their elected representatives by providing independent assessments and advice that enhance accountability and performance across the provincial public sector
Goal 1
The people of British Columbia and their elected representatives receive the best possible information for assessing the performance of the provincial public sector
Objective 1.1
The provincial public sector provides relevant and reliable information about its financial performance
Objective 1.2
The people of British Columbia and their elected representatives are informed of how well the provincial public sector is managing its key risks
Objective 1.3
The provincial public sector provides relevant and reliable information about what it is to trying to achieve and how successful it has been in doing so
Goal 2
Our work meets the highest standards and is carried out in an exemplary manner
Objective 2.1
Credibility: Our work is done in an efficient, effective and professional manner
Objective 2.2
Independence: Our Office is independent from political parties and from the provincial public sector
Objective 2.3
Relevance: Our work program is relevant to the needs of the public and its elected representatives
Objective 2.4
Capacity: We have the organizational capacity to complete our work effectively
Objective 2.5
People: Our work environment attracts, optimizes and retains the best people

A note about our performance measures and targets

With two exceptions, the measures included in this year's Service Plan are consistent with those used in our 2003/04 annual report. We have dropped two measures—the percentage of audited organizations following best practices in financial statement reporting, and the degree of fit between our desired competencies and our actual competencies—because we have not found an effective way of quantifying them. Both areas are important for us to focus on, however, and we will be reporting on them in qualitative terms in future annual reports.

The targets identified in the plan are based on our view of what constitutes good performance. The precision and meaningfulness of our targets will improve as we gain experience in using these measures. To provide some context for the targets, we have included actual results for 2003/04 where possible, along with the targets previously established for the 2004/05 year. We will be reporting the results for the current year in our 2004/05 annual report, to be published in June 2005.

Objective 1.1—The provincial public sector provides relevant and reliable information about its financial performance

Line of Business: Attesting to the reliability of the provincial public sector's financial information

Goal 1

The people of British Columbia and their elected representatives receive the best possible information for assessing the performance of the provincial public sector

Three of the key vehicles through which government and the organizations making up the provincial public sector communicate financial information are: the annual Estimates and supporting financial budgets and plans; the quarterly financial statements that provide consolidated financial results along with a forecast for the rest of the fiscal year; and the annual financial statements.

The traditional role of the auditor has been to provide assurance on the reliability of the annual financial statements, and that is where we focus most of our efforts for this line of business. However, as discussed below, we will be exploring the viability of providing assurance on government's quarterly financial results and forecasts.

The Auditor General Act requires the Auditor General to provide an opinion as to whether the Summary Financial Statements of government are presented fairly, in accordance with Canadian generally accepted accounting principles. The Summary Financial Statements report on the province's financial results against the financial plan, and must be comprehensive, accurate, timely and independently verified if readers are to have trust and confidence in them.

The government's 2004/05 Summary Financial Statements, which consolidate not only the financial results of government ministries but also of some 150 provincial public sector organizations, will be much more complex to prepare and audit than in the past. They will include, for the first time, the complete financial results of over 90 additional organizations, including school districts, colleges and institutes, universities and health authorities.

To carry out our audit in a manner that complies with Canadian generally accepted auditing standards, we need to keep in touch with significant issues, maintain our knowledge of government and identify key risk areas. We do this by conducting some audits directly and, in other cases, by overseeing and relying on the work of private sector auditors. Over the last few years, to prepare for the expansion of government's Summary Financial Statements, we have changed the mix of financial statement audits that we carry out directly (to ensure appropriate coverage across the government reporting entity) and revised our oversight process (to ensure we have a good understanding of key risk areas) in a way that enables us to provide an audit opinion on the summary statements without increasing significantly the amount of effort necessary. Our detailed Financial Statement Audit Coverage Plan is available at www.bcauditor.com

As described earlier in this plan in the section "Responding to Our Environment," assurance standards are becoming more demanding. For example, we now need to have more knowledge about key accounting and control systems, and are required to pay greater attention to the possibility of fraud. And, later this year, new quality control standards come into force. While we are confident in the quality of our work, we anticipate that one impact of the new standards will be to increase the amount of time we need to carry out financial statement audits.

As well as utilizing the government's annual Summary Financial Statements in order to make well-informed decisions, the public and legislators also rely on government's forecasted information, particularly third quarter reports. These quarterly reports show the financial results for the year-to-date and also forecast the results for the balance of the fiscal year. As yet, there has been no independent scrutiny on this important information. For their part, private sector organizations are seeking assurance on quarterly reports so that they can make major financial decisions with a degree of comfort. Because of the importance that is placed on this information, we will begin working with government to build knowledge and capacity in this area with the goal of providing assessments on the effectiveness of the quarterly reporting process.

Strategies

- Assess the reliability and fairness of the government's Summary Financial Statements, using Canadian generally accepted accounting principles as the basis—aiming to complete our examination within 90 days after the year-end.
- Assess directly the reliability and fairness of the financial statements of a number of key public sector organizations included in the government reporting entity (for the 2004/05 Summary Financial Statements, we are auditing directly 24 government organizations).
- Oversee the audit by private sector firms of government entities for which the Auditor General is not the appointed auditor.
- Provide timely advice to government on the many accounting and accountability issues that arise as a result of restructuring, governance changes, and changes in the way government provides services.
- Assess the soundness of the financial statement audit system across the provincial public sector, and work with private sector firms to ensure appropriate audit coverage of all provincial public sector entities.

- Assess the extent to which the provincial public sector is adopting best practices in financial reporting.
- Investigate the feasibility of providing assurance on government's quarterly financial reports.

Measure	Actual	Target	Targets		
	2003/04	2004/05	2005/06	2006/07	2007/08
1. Percentage of provincial public sector entities included in the government reporting entity that are following Canadian generally accepted accounting principles (GAAP)	98%	100%	100%	100%	100%

Description

Following GAAP ensures financial information is fairly presented. Although it is government's responsibility to ensure this happens, so that the public and its elected representatives can rely on the information as it is reported, we play a role in advising government on its reporting decisions. The fact that our financial statement audits focus on whether GAAP has been complied with is also an important incentive to organizations to ensure their financial reporting has complied.

The result or target for each year is based on audits completed in the fiscal year, relating to the year ended March 31. So, for example, the target for 2005/06 is based on the audits of financial statements for the year ended March 31, 2005.

Data Source

Auditors' opinions with respect to the annual financial statements of government and organizations included in the consolidated government reporting entity. The opinions indicate whether the financial statements have been prepared in accordance with GAAP.

Measure	Actual	Target	Targets		
	2003/04	2004/05	2005/06	2006/07	2007/08
2. Legislators believe in the value of the Auditor General's regular examination of government's financial statements	100%	100%	100%	100%	100%

Description

We believe that our examination of government's financial statements gives the public and its elected representatives confidence in government's financial reporting. Measure #2 indicates the extent to which legislators believe this to be the case.

Data Source

Annual survey of legislators serving on the Legislative Assembly's Select Standing Committee on Public Accounts.

Goal 1

The people of British Columbia and their elected representatives receive the best possible information for assessing the performance of the provincial public sector

Objective 1.2—The people of British Columbia and their elected representatives are informed of how well the provincial public sector is managing its key risks

Line of Business: Assessing how well the provincial public sector manages its key risks

Through our assessments (examinations often referred to as performance, or value-for-money, audits) of how well the provincial public sector is managing its key risks in delivering programs, services and projects, we provide necessary assurance to the public and legislators. We also follow up on the extent to which government has acted upon our past recommendations.

In selecting topics to examine, we consider risk characteristics, impacts, financial significance, interest to the public and its elected representatives, and auditability. Our primary focus over the next few years in this line of business will continue to be on the health and social services, education, and natural resources and the environment sectors, the outsourcing of service delivery, alternative service delivery arrangements, and the status of the 2010 Olympic and Paralympic Winter Games undertaking.

Recently, we reported on our review of the extent to which a "value-for-money" report by Partnerships British Columbia fairly described the context, decisions, procurement processes and results to date of the Abbotsford Hospital and Cancer Centre project.

When those responsible for significant government initiatives report directly on their performance, the result is better accountability to legislators and the public. Also, the additional rigour of preparing such a report has the added long-term benefit of strengthening the process for future reporting on public-private partnerships and other alternative service delivery arrangements. We believe our involvement added significant credibility to the report and is a step forward in improving the openness, transparency and timeliness of reporting to legislators and the public on significant government initiatives.

If this approach demonstrates value to legislators and others, we may expand its application to other public-private partnerships and alternative service delivery projects. In that case, we would need to review funding options for this new service.

Strategies

- Monitor the external environment to ensure our work addresses the areas of greatest interest to our stakeholders. (See our objective 2.3 for more details of how we ensure the relevance of our work program.)
- Complete at least one examination of government's alternative service delivery arrangements such as public-private partnerships.
- Focus much of our attention on the risks in the health and education sectors. Specifically, we plan to carry out a number of projects in the next year, some of which are already in progress. These include asking:
  - Is the Pharmacare program being well managed?
  - Are adequate mental health services being provided to children and youth?
  - Are effective systems in place to control hospital-acquired infections?
  - Is the health system providing equitable and timely access to health care services?
  - Do school district performance reports provide the public and legislators with clear, meaningful information?
  - Are post-secondary institutions managing risks and public funds effectively?
- Conduct audits that assess the state of key aspects of natural resources and the environment, including a 2005 audit of the province's drinking water sources.
- Continue to focus on the status of the 2010 Olympic and Paralympic Winter Games undertaking.
- Examine accountability and risk management for large capital projects.
- Assess whether basic financial management controls are sound. For example, in 2005 we plan to examine the effectiveness of the systems of control in the forest revenue system in ensuring that revenue is collected and recorded appropriately.
- Follow up on our previous audit reports to determine whether recommendations approved by the Select Standing Committee on Public Accounts have been implemented.
- Consider the desirability of attesting to the reliability of government representations on public-private partnerships and other alternative service delivery arrangements.

Our Performance Plan

Measure	Actual	Target	Targets		
	2003/04	2004/05	2005/06	2006/07	2007/08
3. Legislators believe in the value of our examinations of how risks are being managed	89%	95%	95%	95%	95%

Description

Our reports inform legislators about how well government programs and services are being managed. We believe this information helps legislators in their work. Measure #3 indicates the extent to which legislators agree.

Data Source

Annual survey of legislators serving on the Legislative Assembly's Select Standing Committee on Public Accounts.

Measure	Actual	Target	Targets		
	2003/04	2004/05	2005/06	2006/07	2007/08
4. Percentage of recommendations endorsed by the Public Accounts Committee (PAC)	100%	100%	100%	100%	100%
5. Percentage of recommendations implemented within two years	58%	75%	80%	80%	80%

Description

The Auditor General's reports are normally directed at the management of organizations we assess, and are reviewed by the Public Accounts Committee (PAC), an all-party committee of the Legislature. Endorsement of our recommendations by the PAC is a key measure of legislators' support of the Office's work.

We follow up on our audits to determine the extent of implementation of our recommendations. Although, at the time we make them, we expect all of our recommendations to be implemented our targets for Measure #5 are less than 100% because we know there are valid reasons why some of them are not implemented within two years. In some cases, for example, a program or circumstances may change so that recommendations are no longer relevant. In other cases, our recommendations are more complex and take longer than two years to implement. Since it takes time to implement our recommendations, we report on the percentage implemented of the recommendations we tabled two years previously. Measure #5 shows the percentage of those recommendations that have been fully or substantially implemented two years after the audit report containing the recommendations was reviewed by the PAC.

Data Source

Measure # 4: Hansard of meetings of the PAC.

Measure #5: The results of our follow-up audits.

Objective 1.3—The provincial public sector provides relevant and reliable information about what it is trying to achieve and how successful it has been in doing so

Goal 1

The people of British Columbia and their elected representatives receive the best possible information for assessing the performance of the provincial public sector

Line of Business: Assessing the quality of provincial public sector performance reports

Encouraging results-focused management and accountability is a key initiative of government, supported by legislators through legislation pertaining to Service Plans and Annual Service Plan Reports. The Budget Transparency and Accountability Act—one of the few of its kind in Canada—requires government as a whole, ministries and government organizations to report publicly on their performance, with a focus on results.

A select standing committee of the Legislative Assembly has endorsed general performance reporting principles designed to guide government organizations in how they report on the results they have achieved. And, while government is working to improve the quality of its reporting on overall performance, more work is needed. We support strongly the move to more comprehensive reporting of performance—we believe that good performance reporting is a reflection of a well-managed organization. Such reports can show how effectively management has performed, the fundamental choices an organization has faced, and the decisions it has made with respect to those choices. This information is critical to both government and the Legislative Assembly and the public—to government in its management of public resources, and to the Assembly and the public in assessing how well those resources were managed. We will do what we can to encourage government to build on its experience to make good public performance reporting a reality. We will also support legislators in their use of performance information in carrying out their oversight role.

In the next three years, we intend to continue encouraging government to provide meaningful and accurate performance reports that are independently verified. To support legislators and the public in their quest for relevant and reliable information about the key aspects of government's performance, we will continue to examine the extent to which the general quality of government performance reports is improving.

Providing assessments of government annual reports is a relatively new line of business for our Office. We believe that, as government organizations improve the quality of their performance reports and as the reports are used more for decision-making, the public and its elected representatives will increasingly demand assurance that these reports are relevant and reliable. We think that eventually an independent third party will be expected to provide assurance for the whole performance report

and not just the financial aspects. When this happens, the public and its elected representatives will be able to assess government's performance with more confidence. In fact, this is becoming a reality in organizations such as the Workers' Compensation Board and the Public Guardian and Trustee of British Columbia, where already we are providing assurance on the organizations' annual reports.

Strategies

- Support results-oriented management practices by:
  - conducting research into best practices;
  - encouraging adoption of results-oriented management practices; and
  - tracking and addressing issues related to results-oriented management.
- Encourage improved public performance reporting by:
  - reporting annually on the quality of public performance reporting in British Columbia;
  - conducting research into best practices;
  - continuing to raise awareness of the value of good performance reporting; and
  - ensuring that British Colombia's point of view is heard in national developments by contributing to the development of national performance reporting standards.
- Encourage legislators' use of performance information and raise awareness of the value of assurance about it.
- Continue to develop methodologies for providing assurance on performance reports by:
  - working with leading organizations to provide assurance on their performance reports;
  - continuing our work with the legislative audit community across Canada in providing assurance on government health indicator reports;
  - continuing to work with government to develop an assurance program for British Columbia and reporting to legislators on our progress; and
  - working with our colleagues in the legislative audit community to develop a methodology for providing assurance on performance information.

Measure	Actual	Target	Targets		
	2003/04	2004/05	2005/06	2006/07	2007/08
6. Percentage of annual reports that have reached "fundamentals in place" stage for:					
▪ 1 reporting principle	14%	60%	80%	90%	100%
▪ 2–4 reporting principles	6%	30%	40%	50%	75%
▪ 5–7 reporting principles	6%	10%	15%	30%	50%

Description

By indicating the extent to which government's performance reports are incorporating the BC Reporting Principles, this measure tracks improvement in government's reporting over time. The tool we use to assess government's annual reports is based on the BC Reporting Principles and has four stages: Start-up, In Process, Fundamentals in Place, and Fully Incorporated. We believe that reaching the "fundamentals in place" stage indicates that an annual report has addressed the most significant elements although further improvements are possible. While it is government's responsibility to improve its performance reporting, we believe we can have a significant influence on the quality of the reporting through our reviews.

The targets have been established in light of the general improvements we have seen and we believe will continue given the in-depth review of our assessments that we conduct with each organization each year.

Data Source

The data is derived from our review of the annual reports of government .

Measure	Actual	Target	Targets		
	2003/04	2004/05	2005/06	2006/07	2007/08
7. Legislators believe in the value of the Auditor General's efforts in the area of performance reporting	89%	90%	93%	96%	100%
8. Legislators make use of government's performance reports in their deliberations or decision-making	76%	90%	92%	94%	96%

Description

Measures #7 and #8 reflect legislators' opinions of the impact of our efforts to encourage government to improve the quality of its performance reports. Ultimately, we believe that legislators will make use of government's performance reports, but we don't think this will happen to the extent possible until the quality of these reports reaches the stage where they provide a reasonably complete and reliable description of government's performance.

Data Source

Annual survey of legislators serving on the Legislative Assembly's Select Standing Committee on Public Accounts.

[2] For an understanding of the methodology we use to assess the quality of government's performance reports, see *Building Better Reports: Our Methodology for Assessing the Annual Service Plan Reports of Government* at www.bcauditor.com

Goal 2

Our work meets the highest standards and is carried out in an exemplary manner

Objective 2.1– Credibility: Our work is done in an efficient, effective and professional manner

Our reputation is critical to our success. We know it can take years to build a reputation and only moments to lose it. That's why we cannot be successful if we provide inappropriate or incorrect assurance and advice.

Our audit work is designed to meet the demanding professional standards known as generally accepted auditing standards. We must be, and be seen to be, financially and operationally accountable and transparent.

Strategies

- Ensure, through well-designed quality control and assurance practices, that our audits are properly planned, staffed, conducted and reported, and that our audit findings are based on well-substantiated evidence.
- Ensure that the way we carry out our audits and reviews meets the assurance standards recommended by the Canadian Institute of Chartered Accountants—the body that sets standards for assurance work in Canada.
- Work with other legislative audit offices to ensure we use best-practice assurance methodologies and procedures for all our assurance activities.
- Provide relevant training and support to staff.
- Continually improve all aspects of our planning, field work and reporting practices, and conduct post-project reviews to identify opportunities for improvements in future projects.
- Continue to apply risk audit criteria to our own practices.
- Survey senior management of the organizations we audit about the quality and professionalism of our work.

Measure	Actual	Target	Targets		
	2003/04	2004/05	2005/06	2006/07	2007/08
9. Legislators believe information in the Office's reports is presented in an objective and unbiased manner	94%	95%	100%	100%	100%
10. Audited organizations are satisfied with the way we conduct our work	61%	70%	75%	80%	90%

Description

The credibility of the Auditor General is of critical importance to our clients and stakeholders. We maintain our credibility by preserving our independence and ensuring all work meets the highest standard. Our standards of service require us to approach our work in a fair and considerate way that ensures our findings and recommendations are sound and relevant. We survey our clients and stakeholders to monitor their perceptions of our ability to maintain our credibility and meet our professional standards.

Data Source

Measure #9: Annual survey of legislators serving on the Legislative Assembly's Select Standing Committee on Public Accounts.

Measure #10: Survey of organizations at the completion of each assurance engagement.

Measure	Actual	Target		Targets	
	2003/04	2004/05	2005/06	2006/07	2007/08
11. Level of compliance with CICA quality control standards	N/A	N/A	100%	100%	100%

Description

Maintaining our credibility requires us to meet the highest standards in all of our assurance work. The Canadian Institute of Chartered Accountants—the standard-setting body for assurance work in Canada—has issued some demanding quality control standards. They become effective from December 1, 2005. We are working to ensure that we will be in compliance with the standards by that date.

Our Performance Plan

Measure	Actual	Target	Targets		
	2003/04	2004/05	2005/06	2006/07	2007/08
12. Percentage of projects completed on time:					
▪ financial statement audits	88%	100%	100%	100%	100%
▪ performance reporting projects	66%	85%	90%	95%	100%
▪ risk management projects	0%	70%	75%	80%	85%
13. Percentage of projects completed on budget:					
▪ financial statement audits	43%	85%	90%	95%	100%
▪ performance reporting projects	33%	85%	85%	85%	85%
▪ risk management projects	0%	85%	85%	85%	85%

Description

The timeliness of our reporting is related to the relevance of our work. We define "on time" as meeting the timelines defined in the audit plan.

Completing projects within budgets reflects accurate planning and effective use of resources. We define "on budget" as being within 5% of the estimated budget outlined in the audit plan.

Our results and targets vary by line of business, reflecting the different management challenges each presents. Financial statement audits are the easiest line of business for which to plan and budget: they are carried out on a regular basis and, generally, one year's audit is fairly similar to those of the previous years. The performance reporting projects are also well defined. Our risk projects are the most challenging to manage because each is unique and, therefore, hard to predict. There is no "standard" risk audit in terms of average length of time or budget. Consequently, we will be considering how best to define timeliness and budgets for this type of audit.

Data Source

Our internal management information system.

Measure	Actual	Target	Targets		
	2003/04	2004/05	2005/06	2006/07	2007/08
14. Percentage of our resources (measured in dollars) devoted to assurance support	25%	24%	24%	24%	24%
15. Percentage of assurance hours of operational staff charged against annual available hours	76%	79%	80%	80%	80%

Description

Measure #14 shows the cost of business support (such as human resource management, technology, rent and depreciation, and general office administration) as a percentage of total office costs. The lower these costs, the more resources are available for assurance operations.

Measure #15 shows the percentage of total annual available hours of assurance staff that is spent directly on audit work during the year. Annual available hours represent total hours charged by staff, less leaves and vacation. Operational staff includes all assurance staff, audit management and executives.

If administrative support is at its optimal level, then the percentage of hours available for audit work will be maximized.

Data Source

Our internal management information system.

Goal 2

Our work meets the highest standards and is carried out in an exemplary manner

Objective 2.2—Independence: Our Office is independent from political parties and from the provincial public sector

The value of our Office is that we provide legislators, the public and government with independent assessments about the performance of government. If that independence were to be compromised, our value would be severely diminished. Accordingly, we devote considerable management attention to protecting our independence.

The Auditor General Act, established in April 2003, includes a number of provisions that help ensure our independence:

- The Auditor General is appointed by an all-party committee of the Legislature for a six-year term that can be renewed one time only.
- The Auditor General is accountable to the Legislative Assembly, not to the government of the day.
- The Auditor General's funding is recommended by a committee of the legislature, rather than being established by government.
- The Auditor General's reports are presented directly to the Legislative Assembly.
- The Auditor General can ask the government for any information he or she needs to carry out the Office's mandate.
- The Auditor General has broad power to examine the range of matters that are of interest to the public and its elected representatives, including whether government organizations or trust funds are operating efficiently and effectively.

Strategies

- Ensure that we comply with the Auditor General Act.
- Comply with professional standards, which establish a systematic, principles-based framework for ensuring independence in each assurance engagement (the framework describes threats to independence as well as safeguards that should exist to protect independence).
- Review the adequacy of our current practices (as part of a broader initiative on quality control) to make certain appropriate mechanisms are in place to ensure our Office is, and is perceived to be, independent and impartial.

Goal 2
Our work meets the highest standards and is carried out in an exemplary manner

Objective 2.3—Relevance: Our work program is relevant to the needs of the public and its elected representatives

We cannot be successful if we do not adequately understand or respond to the information needs of our stakeholders.

Strategies

- Monitor the external environment to ensure our work addresses the areas of greatest interest to our stakeholders.
- Organize our Office by government sector, allowing us to develop a better understanding of government's key programs.
- Meet with a selection of legislators to ask them about our performance and to find out more about their assurance needs.

Measure	Actual	Target	Targets		
	2003/04	2004/05	2005/06	2006/07	2007/08
16. Legislators believe topics chosen for examination by the Auditor General are relevant	100%	100%	100%	100%	100%

Description
Focusing our efforts on topics that are relevant to legislators is critical to our effectiveness. Relevance is confirmed when legislators believe our work meets their needs and addresses their priorities.

Data Source
Annual survey of legislators serving on the Legislative Assembly's Select Standing Committee on Public Accounts.

Goal 2
Our work meets the highest standards and is carried out in an exemplary manner

Objective 2.4 – Capacity: We have the organizational capacity to complete our work effectively

We must have the capacity—the knowledge, skills, resources and information systems—we require to do our work competently and effectively. Key to this is ensuring a match between the competencies the Office needs and the competencies employees have. As stated in our values, we are committed to supporting personal and professional development.

The most important component of our capacity is our people. Salaries and benefits account for about 75% of our expenses. We need to carefully manage our human capital to ensure we are able to meet our goals and objectives. Reductions in our funding, combined with a competitive marketplace and recent and upcoming retirements in key positions have the potential to impact the efficiency and effectiveness of our work.

Strategies

- Ensure we have suitably qualified staff by:
  - comparing our current staff competency profile to the competencies required to carry out our work program effectively;
  - using Office competencies as a guide in all human resource management functions, including recruitment and the development of a professional development plan;
  - supporting the Office Leadership Development Program to ensure we have staff who are ready to take on leadership roles in the future;
  - using employee performance development plans to improve the effectiveness of our professional development and performance management practices; and
  - focusing on the implementation of learning and development programs for our staff that reflect the needs of the various positions.

- Ensure we use our staff efficiently by:
  - sharing resources and information with other legislative auditors through the Canadian Council of Legislative Auditors;
  - encouraging employees to participate in the Mentoring Program to expand corporate knowledge;
  - reviewing our current administrative processes and systems, and revising them as necessary, to ensure we are as efficient as possible;
  - sharing services and expertise with other officers of the Legislature where relevant, while still maintaining our independence; and
  - further developing our Intranet to manage our audit knowledge more efficiently.

Measure	Actual	Target	Targets		
	2003/04	2004/05	2005/06	2006/07	2007/08
17. Percentage of funding (salary and benefits only) invested in learning and professional development	5.3%	5.5%	5.7%	5.9%	6%

Description
The Office is committed to investing in training and career development to ensure that we have the right people with the right talent. Our work is becoming more complex and so we expect the need for learning and development to increase over the next three years.

Data Source
Our internal management information system.

Goal 2

Our work meets the highest standards and is carried out in an exemplary manner

Objective 2.5—People: Our work environment attracts, optimizes and retains the best people

Because we recognize the investments already made in current staff and the ongoing challenge to attract and retain high performers, our objective is to maintain our highly skilled workforce by being an exemplary employer. An important measure of our success in achieving this objective will be how well we can create and maintain a positive, motivating work environment.

Strategies

- Adhere to our corporate values in the way we behave towards our people.
- Provide staff with interesting and challenging work.
- Support the growth and development of our staff.
- Continue to track our turnover and assess the reasons behind it. For instance, we conduct exit surveys of all regular staff that choose to leave the Office.
- Continue to measure, through our annual work environment survey, the extent to which we have lived up to the Office values.

Measure	Actual	Target	Targets		
	2002/03[a]	2004/05	2005/06	2006/07	2007/08
18. Work environment engagement score	70%	70%	72%	74%	75%

Description

"Engaged" employees are productive and committed. High employee engagement is a predictor of a high-performing organization. This measure shows the percentage of our employees who responded to our internal work environment survey that they "strongly agree" or "agree" with the following five statements:

- The work I do makes an important contribution to the Office's success.
- I would highly recommend this Office to a friend seeking employment.
- I think this Office is a great place to work.
- This Office deserves my loyalty.
- I am proud to be part of this Office.

Data Source

An annual internal work environment survey, which allows us to understand the overall level of employee engagement (prior to 2004/05 we conducted the survey every two years, which is why there is no measure for 2003/04).

[a] The engagement score from our 2002 survey has been included, since we did not carry out a survey during the 2003/04 year.

Our Financial Plan

Funding
($ Millions)

	Actual		Forecast	Planned		
	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08
Source of funding						
Appropriation[1]	8.36	7.90	7.07	7.67	8.47	9.07
Recoveries[2]	2.01	2.26	2.47	2.30	2.30	2.30
Total funding	10.37	10.16	9.54	9.97	10.77	11.37
Funding used						
Salaries and benefits	7.08	7.26	6.88	7.21	7.80	8.23
Professional services[3]	0.93	1.01	1.00	1.02	1.14	1.25
Support[4]	1.06	0.92	1.04	1.05	1.14	1.20
Rent and depreciation[5]	0.64	0.63	0.62	0.69	0.69	0.69
Total funding used	9.71	9.82	9.54	9.97	10.77	11.37
Unused appropriation	**0.66**	**0.34**	**0.00**	**0.00**	**0.00**	**0.00**
Capital spending						
Authorized	0.19	0.19	0.20	0.20	0.20	0.20
Used[6]	0.18	0.12	0.18	0.20	0.20	0.20

Notes

1. A voted appropriation funds our costs of attesting to the reliability of the government's Summary Financial Statements, of examining how well government manages its key risks and of assessing the quality of government Annual Service Plan Reports. During 2004/2005, the Select Standing Committee on Finance and Government Services recommended to the Legislative Assembly that our appropriation for 2005/2006 be increased by $600,000. This Service Plan reflects that recommendation. The committee also advised us to expect no change to our appropriation for 2006/2007 and 2007/2008. In this schedule, we show what we proposed to the committee for both of those years. In November of 2005, we will prepare a new funding proposal for consideration by the Committee.
2. Revenue from recoveries funds our work done on a fee-for-service basis, with rates set to recover costs. This work primarily relates to financial statement audits carried out in accordance with the approved Financial Statement Audit Coverage Plan. On November 22, 2004, the Select Standing Committee on Public Accounts approved the 2005/08 coverage plan.
3. Professional services expenses (fees paid to private sector audit firms, advisors and contractors) are increasing because we plan to use more contractors and audit specialists in the future to bridge gaps in expertise to fill peak staffing demands at fiscal year-end.
4. Support includes expenses such as travel, training, supplies, IT charges and professional dues.
5. Our lease was renewed in 2004/05 resulting in an increase charge of $70,000 per year.
6. Capital spending has been primarily for ongoing computer systems upgrades, plus some office furniture. Future expenses include some work station upgrades.

Appendix A—Our Standards of Service

The Office of the Auditor General is committed to the following standards of service:

Approaching Our Work in a Fair and Constructive Way

We will provide assurance with respect to matters that are of significance and interest to those who rely on our work.

We will be impartial and objective in conducting our assurance work.

We will judge government accountability information and performance against reasonable expectations.

We will base our assessments on the accountability principles or performance standards used by government where these are judged to be appropriate.

We will attest to the fairness and reliability of accountability information provided publicly by government where that information is available and complete.

We will conduct our assurance work in a way that enables us to provide positive assessments where warranted and will report the reasons for our reservations where we are unable to provide positive assessments.

We will offer sound, practical recommendations for improving performance.

We will issue our assurance reports on a timely basis.

Providing Accurate, Reliable Assessments and Sound Advice

We will conduct our assurance work in accordance with professional assurance standards using sound methodologies and techniques.

We will conduct our assurance work using personnel having the knowledge and competence required for the work, including a thorough understanding of the type of organization and operations under review.

We will provide reliable, evidence-based assessments and advice, ensuring our assurance criteria or performance standards, findings, conclusions, and advice for improvement are well founded and supported.

We will report all matters of significance to those who rely on our work.

We will subject our assurance reports, work and methodologies to rigorous quality assurance processes.

Appendix A—Our Standards of Service

Building Strong Relationships

We will be honest and forthright in all of our dealings with those we audit and those who rely on our work.

We will keep all information obtained in the performance of our work confidential, except as required to perform our duties under the Auditor General Act (The Freedom of Information and Protection of Privacy Act does not apply to the audit records of the Office, including all audit working papers).

We will communicate openly throughout an audit with management responsible for the matters under review by:

- meeting with management at the start of an audit to establish a communication plan for the assignment;
- discussing the terms of the audit assignment with management at the start of an audit, including the objective and scope of our work;
- discussing our audit plan with management including the audit criteria or performance standards to be used; and
- discussing with management our findings, analysis, conclusions, recommendations and draft report.

We will provide management with an opportunity to publish a response to our audit along with our report where we have assessed government performance directly.

We will organize our work to allow government staff to participate in our audits with a minimum of disruption to their regular, ongoing duties.

We will welcome and respond to any comments, suggestions or queries from legislators, the public or government managers.

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